

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY REPORT: APRIL 2021



## FUND DESCRIPTION

The Contact Australian Ex-50 Fund (the Fund) balances growth and income to provide access to a portfolio of quality Australian companies that sit outside the S&P/ASX 50 Index. This strategy seeks to find long term investments in tomorrow's leaders.

The Fund's investment objective is to seek a total return in excess of 10% per annum, after deduction of Management Fees and expenses, through a concentrated portfolio of high quality small to medium sized ASX listed companies.

The Fund is managed by Contact Asset Management, which is a research driven, active equities manager, investing for the long term. We seek profitable, well-managed companies that offer a sustainable yield and are attractively priced.

## FUND OVERVIEW

Portfolio Managers	Will Culbert and Tom Millner
Targeted return	10% per annum (net of fees)
Number of stocks	25
NAV Unit Price	\$1.28
Management Fee*	0.60% per annum (excluding GST)
Performance Fee	Nil

Performance to 30 April 2021	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	4.3%	4.3%	9.9%	25.7%	26.0%
Targeted return of 10% per annum				10.0%	10.0%

Performance is reported net of all fees and assumes reinvestment of distributions. Past performance is not a reliable indicator of future returns. # Inception date is 17 March 2020. Performance figures may be subject to rounding. Numbers greater than one year are annualised.

## FUND COMMENTARY

The Australian market continued to drive higher in April as upward earnings revisions continue to boost the domestic market. The Fund increased by 4.3% for the month.

The RBA's April Board Minutes reiterated the Bank's upbeat assessment of the Australian economy, notwithstanding the possibility of a 'temporary pause' in the pace of improvement in labour market conditions following the tapering of several fiscal support measures in late March. That said, the RBA maintained its view that wage and price pressures are expected to remain subdued "for several years", and its guidance that the cash rate was unlikely to rise until 2024 at the earliest.

We added **Bank of Queensland (BOQ)** to the Fund in April. BOQ delivered a solid 1H21 result which was the third consecutive half of improved performance. While the result was partially overshadowed by the recent announcement of the ME Bank acquisition, there were still several interesting developments. The bank is targeting more rapid growth through housing loans and took market share during the half, growing at 1.6 times system. BOQ is keen to build on its relationships with mortgage brokers – as its stands only 35% of origination is with brokers, while the industry standard is 55-60%. BOQ's Balance Sheet and capital position is robust – management believes that it has the necessary capital to continue with its strategic investment programme and to underpin growth. We are optimistic on the prospects for better-than-expected synergies from the ME acquisition. In the meantime,

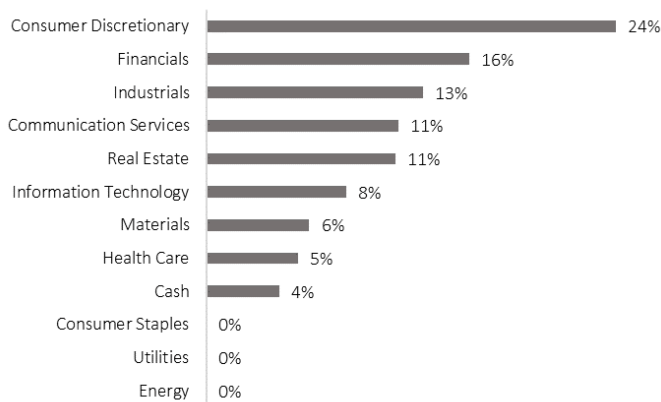
BOQ is reasonably priced at 11 times FY22 earnings and offers a grossed-up dividend yield of almost 9%.

We also established a position in **Monadelphous Group (MND)**. MND is a leading Australian engineering company, providing construction, engineering and industrial services. The iron ore market is the largest contributor to revenues and positions MND in an advantageous position given the positive outlook for the sector. MND boasts a solid Board and Senior Management team that has long tenure with the business and who are aligned with shareholders. MND is guiding to 10% revenue growth in FY21, which we believe is conservative. We consider MND to be attractively priced with good growth prospects. The investment case is underpinned by a grossed-up dividend yield in excess of 6%.

**Resmed (RMD)** reported a mixed third quarter sales result, which reflected the difficult comparative period in early 2020 when ventilator sales increased rapidly. RMD noted that the company received no incremental revenue from COVID-19 related demand this quarter. Importantly, mask sales are holding up well. RMD continues to invest in R&D and grow into new markets. The long-term investment thesis remains intact with a significant addressable market – 900 million people globally have sleep apnea yet only 20% have been diagnosed.

We exited the positions in JB Hi-Fi Limited and Platinum Asset Management during the month. We considered both companies fully priced given growth prospects.

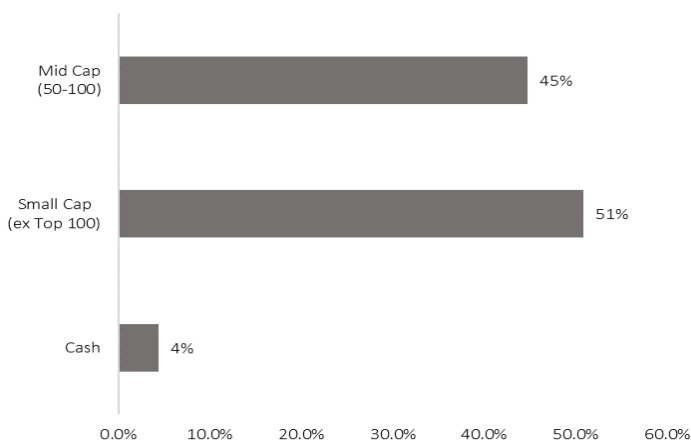
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

1	Harvey Norman Holdings
2	ARB Corporation
3	Reece Limited
4	Nine Entertainment Holdings
5	EQT Holdings Limited
6	Magellan Financial Group Limited
7	Charter Hall Group
8	ResMed Inc.
9	Invocare Limited
10	Iress Limited

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	14.4%
Operating Margin	21.1%
Gearing	23.4%
EPS Growth (FY1e)	21.0%
P/E Ratio (FY1e)	23.4x
Yield (FY1e)	2.9%

Source: Factset, Contact Asset Management estimates

## MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Reece Limited	0.92%	Harvey Norman Holdings Limited	-0.59%
ARB Corporation Limited	0.74%	TPG Telecom Limited	-0.51%
IPH Limited	0.44%	Link Administration	-0.10%
Iress Limited	0.44%	Platinum Asset Management Limited	-0.09%
Adairs Limited	0.42%	E&P Financial Group Limited	-0.08%

The Contact Australian Ex-50 Fund Product Disclosure Statement (PDS), Reference Guide and Investor Handbook is available at <https://contactam.com.au/ex-50-fund-overview/>

\* Management fee\* 0.60% per annum (excluding GST) of the net asset value of the Fund (after any current accrued Management Fees and expenses). The material contained within this Report (The Report) has been prepared by Contact Asset Management Pty Limited (ABN 54 614 316 595, AFSL 494045)(Contact). It is issued by the Responsible Entity of the Fund, Evolution Trustees Limited (ABN 29 611 839 519, AFSL 486217)(Evolution). Figures referred to in The Report are unaudited. The NAV Unit Price has been used for performance reporting, however if an investor is to come out of the fund that would be done at the exit price. The Report is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. Neither Evolution nor Contact guarantee repayment of capital or any particular rate of return from the Fund. Neither Evolution nor Contact gives any representation or warranty as to the reliability, completeness or accuracy of the information contained in this Report. Investors should consult their financial adviser in relation to any material within this document. Past performance is not a reliable indicator of future performance. Investors should consider the PDS and Reference Guide and any other material published by Contact or Evolution in deciding whether to acquire units in the Fund. This information is available at [www.contactam.com.au](http://www.contactam.com.au)